

# **Challenges and Scopes toward the Decentralized Regional Development Framework in Southeast Asian Countries: Several Lessons from Yogyakarta Special Province, Indonesia**

## **1. INTRODUCTION**

Decentralization has been a growing trend in Southeast Asian countries many of which used to be highly centralized, typically seen in such “developmental states” as Indonesia, Thailand, the Philippines (World Bank (2005)). In response to decentralization, regional development also needs to be regenerated into the decentralized regional development tailored to the local context, where local government is expected to take an initiative in the promotion. However, because decentralization is a relatively new agenda to those countries, it is in the process of try and error. Various lessons need to be drawn from different decentralized regional development experiences.

Therefore, the central theme of this paper is to draw several lessons for Southeast Asia’s decentralized regional development framework, through a case study in Yogyakarta Special Province, Indonesia <sup>(1)</sup>. After Indonesia’s decentralization, in Yogyakarta Special Province, government tries to promote collaboration between the government sector and the non-government sector, and various non-governmental associations such as industrial associations, NGOs, universities and research institutions actively work and seek for collaboration. Yogyakarta Special Province is as one of the good cases in Indonesia.

In this paper, first, regional development experiences in Southeast Asian countries are reviewed to set the viewpoint of the case study (Chapter 2). Then Indonesia’s recent institutional changes are overviewed with reference to decentralization and development planning system (Chapter 3). Through the case study of Yogyakarta Special Province, how the local government and the people are working for the regional development is illustrated (Chapter 4). In conclusion, several lessoned from Yogyakarta Special Province are discussed (Chapter 5).

## **2. REGIONAL DEVELOPMENT EXPERIENCES IN SOUTHEAST ASIAN COUNTRIES**

Since the development of developing countries began to be internationally discussed in the post war period, regional development policies have changed over time. In this chapter, regional development experiences and today’s issues in Southeast Asian countries are reviewed to set the viewpoint of the case study.

### ***2.1 Regional Development Experiences before the 1980s***

Gaining independence after the World War II, regional development policies of most developing countries came largely from an anticolonial ideology, which stresses the necessity to change the regional structure from the past. Consequently, during the 1950s and 1960s, regional policy in developing countries was concerned primarily with the better utilization and management of natural resources. In turn, this gave rise to several large-scale projects.

Yet another traditional concern from this earlier period was “regional inequality,” usually meaning a balance in development opportunities as between the nation’s core city and its rural hinterland. In this prospect, the central government took control. Accordingly, one of the principal goals of regional development policies have been (and still are) the reduction of

income gaps between poor and rich regions, as well as equalizing regional per capita income and the availability and accessibility of education and health services together with utilities over time. Regional development policies evolved from the top and depended on the institution of regional project programming in the activities of central line ministries (Edgington *et al* (2001)). For small and medium cities, the development policy most often adopted was (and still is) “growth pole policy”, under which government, the central government, builds basic infrastructure in selected small and medium cities to attract industry from outside the region. The consequent expectation was that regional inequality would be balanced through “trickle down effect” from those cities (Douglass (1998)).

In this way, until around the 1980s, the approach to regional development in developing countries followed the older “top-down,” centralized model. Regional development was often seen as a subset of national planning.

## **2.2 Big Waves since the Early 1980s**

Two big waves in the global political economy since the early 1980s have called for the regeneration of regional development framework. One is the emergence of globalization, and the other is the collapse of the central planning system.

Globalization has increased the volatility of urban economies and accelerated the international competition among cities. As the agglomeration theory claims that the greater the size of agglomerations, the greater are the possibilities for profitable external economies (Simmie (2001)), the formation of world cities, where people, goods, money and information are agglomerated, can be observed in Southeast Asian countries (Douglass (2001)). Southeast Asian cities are, too, forced to adjust to the wave of globalization. Referring the advantage and disadvantage of globalization, the World Bank warns, “Cities that are able to exploit a comparative advantage in the global tradables will thrive, but those that have depended on protected industries will struggle” (World Bank (1999)). However, small and medium cities are in the weaker position, which would lead to widening regional inequality. Then those cities, forming a city region with the surrounding rural area<sup>(2)</sup>, need to capture the changing economic conditions while promoting the development based on their own resources. Therefore, regional development strategies have to be completely changed (Kidokoro (1998)).

The collapse of the Soviet system revealed the limitation of the central planning system. And many developing countries have begun to pay more attention to decentralization, good governance and democratization (Kumssa *et al* (2001)). In Thailand, the Philippines, Indonesia, for example, together with the domestic movement of a new socioeconomic group “new middle class”, this wave led to changing the system of “developmental state” into that of the democratic state<sup>(3)</sup> (Institute of Social Science (1998)). Then, since the 1990s decentralization has been a growing trend in Southeast Asian countries many of which used to be highly centralized. Even in the countries of transitional economy, like Vietnam, decentralization is being promoted to some degree (World Bank (2005)). Now, the institutional framework for the decentralized regional development, which is essential in the globalizing era, is being prepared.

The World Bank also stresses local economic development for small and medium cities. The focus is to help cities define proactive strategies to exploit and strengthen their comparative advantage. However, this kind of strategy is a relatively new agenda for the Bank

(World Bank (2000)). For local government, which is expected to take an initiative in regional development, this is a new agenda, too. Various lessons need to be drawn from different decentralized regional development experiences.

### **2.3 Experiences in Europe**

In Europe, too, regional development, especially that of the less favored regions, has been long debated. Recently there is a growing trend for a new approach based on institutional economics, partly in response to the failings of the Keynesian approach and the pro-market neo-liberal approach <sup>(4)</sup>. Those two approaches have commonly assumed that top-down policies can be applied universally to all types of region. On the contrary, the institutional approach tends to favor bottom-up, regional specific, longer-term and plural-actor based policy actions, recognizing the collective or social foundations of economic behavior against the individualism of the two approaches above (Amin (1999)).

In this school, the idea of “associational economy” by Cooke *et al* (1998) is suggestive to the decentralized regional development framework in Southeast Asian countries. This approach seeks to empower intermediate associations that lie between state and market, for example, groups of firms, trade associations, chamber of commerce, labor unions, civic associations. Taking examples of Baden-Württemberg, Emilia-Romagna, Wales and the Basque Conundrum, their claim is that the essential institutional change involved in this approach is two kinds of decentralization; one is the devolution of power within the state system, from the central government to the local government, because the latter is better placed to forge durable and interactive relations with the region. The other kind of decentralization is the delegation of certain tasks from government to business associations because the latter have far more knowledge of, and credibility with, their members than the former (Cooke *et al* (1998)).

It is certain that the devolution of power within the state system is essential for the decentralized regional development, and what is suggestive here is the focus on various stakeholders including government and non-government associations. In developing countries including Southeast Asian countries, because of their long history as centralized states, lack of human resources at the local government level is pointed out as one of the biggest problems in promoting decentralization <sup>(5)</sup>. Here, it is necessary that various stakeholders, closely networked with each other, should participate in the promotion of regional development to cover the lack of human resources. Moreover, it is promising that the participation of various stakeholders would lead to a democratic society in the long run.

Reflecting the discussion above, the case of Yogyakarta Special Province is examined from viewpoints of the devolution of power within a state system and the activities of various stakeholders in the region. Then challenges and scopes toward the decentralized regional development are discussed.

## **3. INDONESIA’S DECENTRALIZATION AND DEVELOPMENT PLANNING SYSTEM**

Under Suharto’s New Order, Indonesia set highly centralized development framework, which was characterized as a “developmental state.” The “growth pole policy” was adopted in the 1980s, under which the central government designated some cities as “growth poles” of four levels and promoted their development <sup>(6)</sup> (Nagamine (1985)). However, after the

decentralization by the 1999 laws, regional development framework is also decentralized. Now, the local government is expected to take an initiative in regional development.

In this chapter, Indonesia's recent institutional changes are overviewed with reference to decentralization and development planning system.

### **3.1 Decentralization**

Indonesia has embarked upon a radical and rapid decentralization by the 1999 decentralization laws and their revised 2004 laws<sup>(7)</sup>. One of the biggest changes in this decentralization is transfer of power within the state system. Among three tiers of the governmental structure (the central government, the provincial government and the regency/city government<sup>(8)</sup>), much power is transferred especially to the regency/city government by the 1999 laws. The laws defines the role of the central government, the provincial government and the regency/city government; The central government is responsible for defense, international relations, justice, security, religion, and monetary and fiscal policies. The provincial government, as a representative of the central government, is to perform those functions beyond one regency/city, and the regency/city government is to perform all except assigned to the central government and the provincial government. Though In the 2004 law redefines the power balance among the central government, the provincial government and the regency/city government<sup>(9)</sup> (Shima, Seta and Kidokoro (2005)), viewed as a whole, it is true that the provincial government and the regency/city government came to have much more power than before.

### **3.2 Development Planning System**

Aiming to adjust the decentralization process and to define the national budgeting process (Republik Indonesia (2004))<sup>(10)</sup>, the national development planning system was legislated by Law No.25/2004<sup>(11)</sup>.

In this planning system, the national development plans and the local (the province and the regency/city) development plans are composed of the same structure; 20-years development plan, 5-years development plan and annual working plan. And the local plans are to be prepared in accordance with national ones<sup>(12)</sup>. In the planning process of each plan, in order to reflect the public opinion in the plan, the development planning meetings (MUSRENBANG; *Musyawarah Perencanaan Pembangunan*) are to be held at various levels (from the community level to the national level)<sup>(13)</sup>, and a guideline for MUSRENBANG (not legally binding) is sent by Ministry of Home Affairs<sup>(14)</sup>. In addition to the way of the participation shown in the guideline, some local governments in Yogyakarta Special Province try to make more people participation in the planning process with originality and ingenuity<sup>(15)</sup> (Shima, Kidokoro and Onishi (2005)). Now, they are utilizing the advantage of decentralization,

Much is debated on Indonesia's decentralization and development planning system<sup>(16)</sup>. For example, after the decentralization, the conflicts among the local government sometimes occur. However, in Indonesia, the institutional framework essential for the decentralized regional development seems getting prepared. Decentralization gives local government a chance to take an initiative in various fields, including regional development. In the development planning system, MUSRENBANG gives various non-governmental stakeholders a chance to participate in the planning process. Besides the improvement of the institutional

framework mainly at the national level, the following big challenge for the local government and the people is whether they can utilize the advantages of institutional change or not.

#### 4. THE CASE OF YOGYAKARTA SPECIAL PROVINCE

In the decentralized institutional framework, how are the local government and the people working for the regional development? Through the case study of Yogyakarta Special Province, this chapter tries to answer this question. The focus is on those stakeholders related to small and medium enterprises (SMEs) which are important economical bases in the province. (Here, regional development means development at the provincial level.)

##### 4.1 Profile of Yogyakarta Special Province

Yogyakarta Special Province<sup>(17)</sup>, located in the middle of Java Island (about 600 km southeast of Jakarta), is one of Indonesian historical cities. The southern side of the province faces the Indian Ocean, and the other three sides are surrounded on mountains, facing Central Java Province. The area of the province is 3,185 km<sup>2</sup>, which is Indonesia's second smallest next to Jakarta Capital Province. The population is about 300 million and its population density about 1,000 people/km<sup>2</sup> (BPS Propinsi D.I. Yogyakarta (2003)).

In the local administration, the province is composed of four regencies and one city. Yogyakarta City, capital of the province, is geographically located in the center of the province. The population of Yogyakarta City is about 400 thousand people (BPS Propinsi D.I. Yogyakarta (2003)). Yogyakarta City can be classified as a small and medium city.

As Yogyakarta City has long history after Sultanate of Mataram built its capital in the 18th century, there are plenty of cultural resources in the province. With these cultural resources, Yogyakarta Special Province is Indonesia's second biggest tourist destination next to Bali. In addition to that, many universities are located in the province<sup>(18)</sup>, which adds a characteristic of an educational city to Yogyakarta. Consequently, cultural industry, tourism industry and educational industry are Yogyakarta's dominate industries, and such sub industrial sub-sectors as the tourism, education, trade, the hotel and restaurants contribute 36% of GDP (constant value) in the province (Special Province of Yogyakarta Chamber of Commerce and Industry (2002))<sup>(19)</sup>. And the scale of industry indicates that small and medium enterprises (SMEs) are dominant. The number of people engaged in SMEs is estimated at 1,495,251 in 2003 (BPS Propinsi D.I. Yogyakarta et al (2004)). In the province, which has few large-scale enterprises, SMEs are one of the most important economical bases.

Regency/City	Area (km <sup>2</sup> )	Population (people)	Population density (people/km <sup>2</sup> )
Kulonprogo Regency	586.27	370,965	751.70
Bantul Regency	506.85	781,059	1525.42
Gunungkidul Regency	1485.36	670,544	500.41
Sleman Regency	574.82	901,735	1468.42
Yogyakarta City	32.5	397,398	15197.02
<b>Total (Yogyakarta Special Province)</b>	<b>3185.8</b>	<b>3,121,701</b>	<b>1034.31</b>

**Table 1 Profile of Yogyakarta Special Province (Source: BPS Propinsi D.I. Yogyakarta (2003))**

Long-term strategy	<ol style="list-style-type: none"> <li>1. To support the development of various economic sectors, especially the united and synergistic sectors in the region.</li> <li>2. To increase the quality of human resources, which can be reliable under the global competition.</li> <li>3. To consolidate the real, dynamic, harmonious and responsible regional autonomy, supported by the reliable, professional, transparent and accountable governmental apparatus.</li> </ol>
Short-term strategy	<ol style="list-style-type: none"> <li>1. To cope with the unemployment and the poverty by creating business environment for the poor people.</li> <li>2. To prepare the hard and soft infrastructure as well as the governmental apparatus in the framework of implementing regional autonomy.</li> <li>3. To guarantee the reliable food supply and the fair provide to all the society in the province.</li> <li>4. To anticipate and cope with the impact of natural disaster by well planning.</li> </ol>

**Table 2 Development Strategy of the Province  
(Source: Propinsi Daerah Istimewa Yogyakarta (2001))**

#### **4.2 Regional Development Strategy by Government**

Under the vision “To develop Yogyakarta Special Province towards the prime center of education, culture and tourism in 2020,” Yogyakarta Special Province has set development strategies as illustrated in Table 2. Reflecting the importance of SMEs in the province, government energetically promotes the development of SMEs as a part of pro-poor economic strategy (Propinsi Daerah Istimewa Yogyakarta (2001)). In the provincial government, Department of Industry, Trade and Cooperative is responsible for SMEs. The department not only provides SME support services (for example, strengthening competitiveness and marketing outside the country, creating entrepreneurship of SMEs), but also implements several projects to support networking of SMEs (for example, holding meetings with SME cooperatives, building business network for SMEs).

To promote the development in the province, the provincial government, together with the regency/city government, has tried to make government open to everyone after Suharto’s era. The concept of development “Yogyakarta Incorporated” set in 1998 stresses the collaboration between the government sector and the non-government sector. For example, in holding MUSRENBANG<sup>(20)</sup>, the provincial government and the regency/city government try to invite as many people as possible, and recently various non-governmental associations such as industrial associations, NGOs are invited to the meeting, in addition to Chamber of Commerce and Trade, academicians that have been long invited<sup>(21)</sup>. Moreover, government holds other informal meetings everyone can participate in<sup>(22), (23)</sup> (Shima, Kidokoro and Onishi (2005)). For SME development, the meetings hosted by Department of Industry, Trade and Cooperative can be pointed out as an example of these government’s efforts.

People are getting aware of the change of government’s attitude<sup>(24)</sup>. However, some are still be very skeptical about government<sup>(25)</sup>, as the big problem of Indonesia’s government “KKN (*Korupsi, Kolusi, Nepotism*)” that means corruption, collusion and nepotism has not been completely solved (World Bank (2003)). There is a long way to remove this kind of feeling, but it is necessary for government not to stop their efforts.

#### **4.3 Various Associations Working for SMEs**

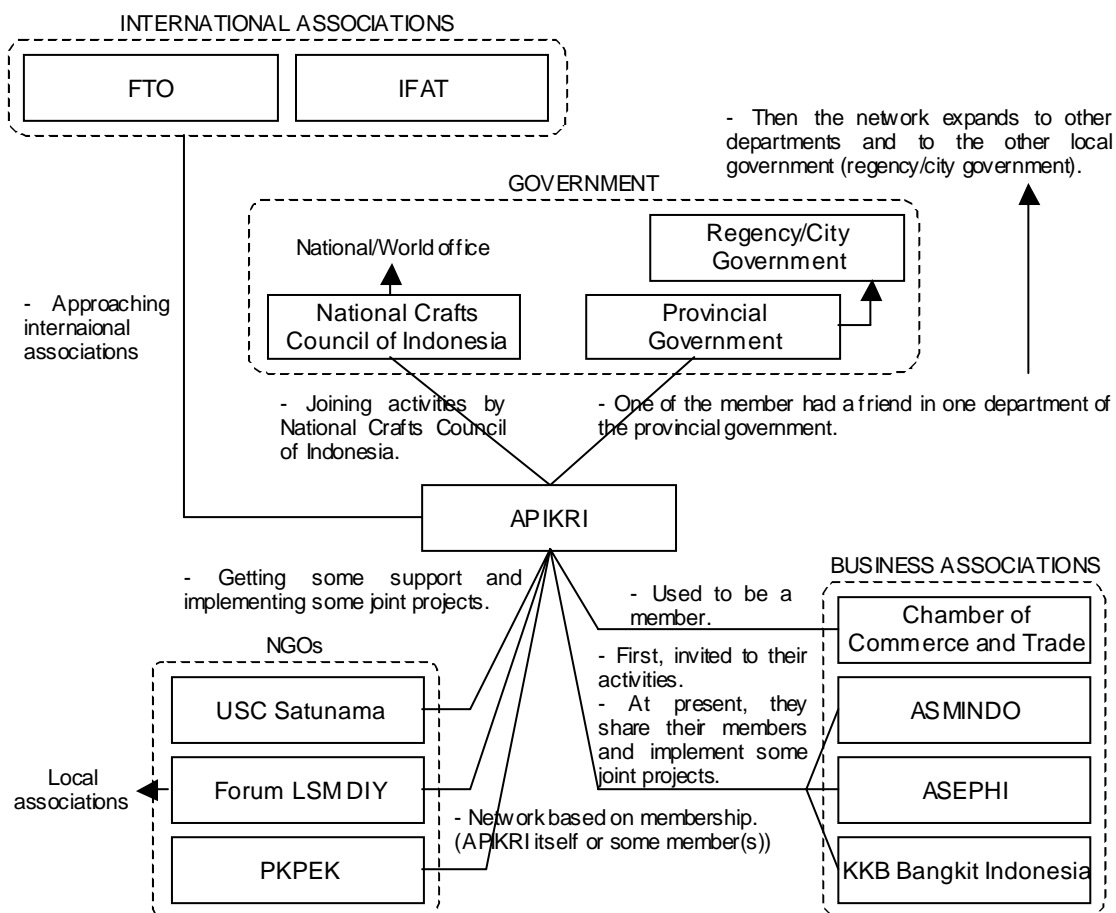
Not only government but also various non-governmental associations, like industrial

associations, NGOs, work for SME development. Naturally, some are successful and others are not. Those successful are usually working in the network with others. Then, in this section, recognizing the importance of network, one successful association and two forum activities are reviewed.

### A Successful Case; APIKRI

APIKRI (*Pengembangan Industri Kerajinan Rakyat*) is one of the most successful associations in developing its activities and expanding its network. Founded as handicraft artisans' foundation in 1990<sup>(26)</sup>, APIKRI has worked more and more actively<sup>(27)</sup> and expanded its networks with government, industrial associations, NGOs and international associations (Figure 1). The lessons from APIKRI's way of networking are as follows;

- At the time of APIKRI's foundation, government was not so opened to everyone as today, and it seemed difficult to have network with government. However, in APIKRI, there is a member who had a friend in one department (Department of Trade, today's Department of Industry, Trade and Cooperative) of the provincial government. This friend was its first step to have network with government. The process was simple; the friend's introduction gave APIKRI a chance to meet another person in the provincial government, and that introduction continued until APIKRI had many contact persons in the provincial government. In the same way, APIKRI expanded its network to the other local governments (the regency/city government). Now, APIKRI and the local government implement some joint projects, while regularly exchanging information.



### Figure 1 APIKRI's Networking

Introduction of another person, that is, personal network, helped APIKRI have and expand network<sup>(28)</sup>. Especially, in a small city, people are usually networked more closely than in a big city. The close personal network can be pointed out for an advantage of a small city. Moreover, as this kind of personal network is usually based on their friendship, that is, "trust", they can easily cooperate with each other.

- While APIKRI grew more and more popular as a pioneer in SME support, other fellow associations such as ASMINDO (*Asosiasi Industri Permebelan dan Kerajinan Indonesia*, an industrial association of furniture and handicraft), ASEPHI (*Assosiasi Ekspor dan Produsen Handicraft Indonesia*, an industrial association of producers and exporters of handicraft), KKB Bangkit Indonesia (*Klinik Konsultasi Bisnis Pengembangan Industri Kerajinan Indonesia*, a business consultant for SMEs) came to invite APIKRI to some joint projects. At present, sharing some of their members, these four associations are closely networked to have their own role among them, which helps them to complement the activities they can't by themselves.

What is suggestive is the way APIKRI was known to them. In the interview, they all noted that information about other association is easy to get in a small city like Yogyakarta. Here, proximity can be pointed out as another advantage for a small city. Moreover, thinking that information passed on through face-to-face communication does not lose its meaning even in this telecommunicating era (Cooke *et al* (1998)), importance of personal network can be pointed out.

- Of course, APIKRI itself has made efforts to expand its network. In APIKRI's case, APIKRI is eager to participate in those activities hosted by National Crafts Council of Indonesia, which would be a place to meet another association. And APIKRI has been a member of other associations such as Forum LSM DIY (a forum for NGOs (mentioned later)), PKPEK (*Perkumpulan untuk Kajian dan Pengembangan Ekonomi Kerakyatan*, an NGO conducting SME surveys). In addition to those domestic associations, APIKRI approached international associations like IFAT (International Fair Trade Association), a Dutch NGO named FTO (*Fair Trade Original*)<sup>(29)</sup>, expanding its international network<sup>(30), (31)</sup>.
- APIKRI's network has not only expanded. When not needed, it stopped having network. An example is the network with Chamber of Commerce and Trade (KADIN; *Kamar Dagang dan Industri*). APIKRI didn't think they have common goal and stopped being a member of KADIN in 2004.

Network is somewhat a loose tie, and therefore under the changing circumstance, an association can choose whether it has one or not. This choice could lead to avoiding the "locked-in" situation.

In Yogyakarta Special Province, more and more associations, particularly NGOs<sup>(32)</sup>, have worked actively after Suharto's era. Unfortunately, so far, both the provincial government and the regency/city government have no program to develop NGOs, and NGOs need to be developed through on-the-job training like the involvement of some joint projects with others. In this sense, too, network is important.

As seen above, the reason for success of an association lies in its own efforts, and at



the same time their personal network is also important particularly in expanding network. Especially in a small city region like Yogyakarta Special Province, personal network can be an advantage. Then the most important challenge to associations is how they can expand their network more with the utilization of advantages of a small city.

### **Two Forum Activities; KADIN, Forum LSM DIY**

A forum where various associations gather can be a place for them to expand their network. As examples of this kind of place, KADIN and Forum LSM DIY are reviewed here<sup>(33)</sup>. The former is a forum mainly for industrial associations, and the latter mainly for NGOs.

- KADIN provides the members, enterprises, with the services of training, seminar, consultation, bank loans, market information and so on. Regarded as a representative of the private sector, KADIN has been invited to various activities by government, which has formed close network with government. KADIN hosts regular meetings with industrial associations from various sectors<sup>(34)</sup>. There, KADIN has a role in collecting the voices of the public sector and telling them to government, which leads to some action cooperated between the private sector and the government sector. KADIN is expected to take the initiative as a representative of the private sector. However, so far, KADIN tends to wait for some action by government<sup>(35)</sup>.
- Forum LSM DIY is an NGO forum aiming to empower NGOs in the province<sup>(36)</sup>. Though founded by government in 1982, Forum LSM DIY receives no support from government and is run mainly with the member fee. In this sense, Forum LSM DIY is a free body. 68 NGOs working in different fields are registered as its members<sup>(37)</sup>. They insist that their main activities are to lobby and demonstrate “against government”. One staff of Forum LSM DIY energetically stressed their attitude against government.

It is favorable that various associations participate in the meetings by KADIN and Forum LSM DIY, and that KADIN and Forum LSM DIY work as a discussion place for the related associations. However, for KADIN its initiative as a representative of the private sector, and for Forum LSM DIY, its cooperative attitude for government can be their challenges, because they are expected to be representative. When these challenges are overcome, collaboration, as shown in the concept of Yogyakarta Incorporated, will advance a lot.

In this section, several activities of association were reviewed. However, If those associations work for different goals, the advantage of decentralization will not be utilized. Rather, it will lead to a chaotic situation. Then they need to collaboratively work for a common goal. Here, “leadership” would be an important factor for it. And the leadership is not the one seen in the past, for example, the one in the era of developmental state, Suharto’s Era in Indonesia, but the one based on the democratic mind. In that sense, Yogyakarta Special Province has “sultan”, traditional leader and governor of the province<sup>(38)</sup>. In this sense, his leadership will be tested even more than before.

## **5. CONCLUSION**

The case of Yogyakarta Special Province suggests the following three lessons;

### **Institutional framework of decentralization is the initial step.**

In Indonesia, decentralization promoted under the 1999 laws and their revised 2004

laws has given much autonomy to the local government, and the national development planning system was legislated to adjust the decentralization process. In this situation, some local governments are beginning to utilize the advantage of decentralization. In Southeast Asian countries, decentralization is today's trend, and the extent of decentralization differs from country to country. Though many problems are pointed out in each country, decentralization need to be promoted while continuing trial and error, for the institutional framework of decentralization can be the initial step for the decentralized regional development.

**Government should continue to make itself open to everyone.**

In those countries that used to be centralized, like in Indonesia, government needs to be opened to everyone, so that the participation of various stakeholders will be realized. Especially the local government will have a big role in the decentralized regional development. Though there is usually a long way to go, as seen in the case of Yogyakarta Special Province, continuing efforts by government led to making people recognize the change, which will lead to promoting more participation. The second lesson is that government should continue to make itself open to everyone.

**Utilizing personal network is an important resource.**

Various non-government associations actively work these days with the rise of the civil society. In this situation both government and non-government association should be closely networked and collaboratively work, playing a role of each stakeholder in regional development. Then, as seen in the case of APIKRI, personal network can help to expand the network among various stakeholders including government. Forum activities will also helpful for network, too. Here, as personal network can an advantage of a small city, utilizing it is an important resource for the regional development of a small city region.

Last not the least, Yogyakarta Special Province, especially its southern part, was much damaged by the earthquake on May 25, so was many of SMEs (BAPPENAS *et al* (2006)). Now is the time for people to collaboratively work for the restoration, and those networks of various stakeholders will help a lot in this situation.

**NOTES;**

- (1) The methodology of the case study is making interviews to government and various non-government associations in Yogyakarta Special Province. The interviews to government were conducted at the provincial government and all the regency/city governments in Yogyakarta Special Province. The interviews to association were conducted to 10 associations that are highly appreciated for their activities. The period was in several months from March 2004 to October 2005.
- (2) Small and medium cities has tightly connected to their surrounding rural area in terms of flow of people, goods, money and information (Douglass (1998)).
- (3) First, in Thailand, Thanarat's regime was collapsed in 1973. And, in the Philippines, Marcos' regime was collapsed in 1986. Later, In Indonesia, Soeharto's regime was collapsed in 1998.
- (4) The regional economic development approach applying institutional economics is well documented in Amin (1999).
- (5) For example, World Bank (2005).
- (6) Yogyakarta City is also designate as a sub-center of development (Nagamine (1985)).
- (7) Law No.22/1999 about regional administration and Law No.25/1999 about fiscal balance between the central government and the local government. The revised law of the former is Law No.32/2004, the latter Law No.33/2004.
- (8) The regency (*Kabupaten*) is a rural municipality and the city (*Kota*) is an urban municipality.

- (9) In the 1999 laws, there is an article defining that no hierarchical relationship exists between the provincial government and the regency/city government. The 2004 laws don't set such an article.
- (10) The political issue in the central government is well documented in Ferrazzi (2001).
- (11) This is legislation of the former planning system defined by the constitution, the national budgeting law (Law No.17/2003) and other regulations. Therefore, not so much was altered in the planning system.
- (12) The relation between the provincial plan and the regency/city plan is not defined in the law (Shima, Seta and Kidokoro (2005)).
- (13) Though some argue that those development plans and MUSRENBANG are ineffective, it can help to set a common goal for the development, which is essential in a chaotic condition that decentralization would cause.
- (14) The guideline refers favorable various associations as well as local people as favorable participants.
- (15) However, some local governments just follow the guideline from the Ministry.
- (16) For example, in World Bank (2003), Shima, Kidokoro and Onishi (2005).
- (17) Though named "special province", Yogyakarta Special Province has no special function in development planning. The name was given after the contribution to the independence of the Republic of Indonesia.
- (18) 3 national and 93 private universities are located in the province (Badan Pusat Statistik (2004)).
- (19) The agricultural sector contributes 18%, and the manufacturing industry 13% (Special Province of Yogyakarta Chamber of Commerce and Industry (2002)).
- (20) In Yogyakarta Special Province, MUSRENBANGs from the community level to the regency/city level are in charge of the regency/city government.
- (21) They started to be invited in the 1980s. In addition to the invitation, academicians have been appointed to some high governmental posts.
- (22) For example, Regional Development Planning Board (BAPEDA; *Badan Perencanaan Pembangunan Daerah*) of the province holds an informal meeting "Forum antara BAPEDA" once a month. (BAPEDA is a governmental board preparing and coordinating various development plans.)
- (23) Another reason for the necessity of these meetings comes from their traditional thought. In the traditional thought, it is impolite to participate in an event without an invitation, especially a formal event such as MUSRENBANG. In this sense, MUSRENBANG is not open to everyone.
- (24) This is usually pointed out at the interview in the survey.
- (25) This tendency can be seen the attitude of Forum LSM DIY (mentioned later), too.
- (26) Before that, APIKRI had been a handicraft artisans' association.
- (27) First APIKRI provided only economical support for SMEs. Now, in addition to economical support, social support is provided, too.
- (28) An NGO named USC Satunama also expanded their network owing to personal network. Because one member's wife knows the wife of the provincial governor, USC Satunama could have network with the provincial government.
- (29) Owing to APIKRI's network with FTO, APIKRI succeeded in collecting the 30,000-euro-donation for Yogyakarta and Central Java earthquake (FTO website).
- (30) To expand the international network, the Internet seems to be helpful. Not only APIKRI but also PKPEK pointed out the usage of the Internet as a method to know international associations.
- (31) The international network is sometimes a step to have new network. For example, with the recommendation of a Canadian NGO, Swiss Contact, PKPEK, together with other NGOs, was involved in a project by Yogyakarta City government.
- (32) Because of Yogyakarta's characteristic as an educational city, NGOs can be easily generated from a students' study group. But, in many cases, they stopped working after the students get a job. One member of PKPEK noted that continuing activities are essential to earn trust and the expand network. The same was heard from USC Satunama, too.
- (33) Besides them, a national covering association, Asosiasi BDS Indonesia, hosts a regular meeting for business development service providers in the province, where government (Department of Industry, Trade and Cooperative of the provincial government) and about 40 providers join it, including APIKRI, KKB Bangkit Indonesia. In addition to the providers, volunteer organizations of researchers and students from universities also join it.
- (34) 44 associations are registered as KADIN members (as of March 2004).
- (35) KADIN aggressively appeals to the local council. The head of KADIN says, "Actions from the local council are easily realized because it has budgeting power."
- (36) LSM (*Lembaga Swadaya Masyarakat*) means NGOs in Indonesian.
- (37) No comprehensive datum about NGOs in the province is available. However, according to Forum

LSM DIY, there are about 300 NGOs working in the province.

(38) The election system of the governor has just been changed. Law No.32/2004 defines the governor of a province is elected by people.

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